THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.15187 of 2005

ORAL ORDER:

It appears, first petitioner is the principal debtor of the respondent Bank and petitioners 2 to 4 are the guarantors. The first petitioner has taken agricultural loan of Rs.1,95,000/- on 30.11.1998 by mortgaging his lands. By 26.6.2001, the said amount along with interest became Rs.2,68,989-50 ps and by 3.9.2003, the loan amount became Rs.2,74,875-50 ps. It appears, petitioner has paid an amount of Rs.2,74,875-50 ps. by way of demand draft on 2.9.2003 and Rs.9,000/- on 29.9.2003 and the dividend warrant amount of Rs.587/- was adjusted towards the loan account. Since the petitioners did not pay the amounts as required, respondent Bank filed claim petition before the A.P. Cooperative Tribunal, Hyderabad being O.P.No.701 of 2001. The Tribunal, after detailed consideration of the matter, passed award dated 9.3.2005 accepting the claim of Rs.2,68,989-50 ps. as on 26.6.2001 and simple interest was awarded @ 21% per annum on the due amount. It was further directed that the bank shall adjust the payment of Rs.2,74,875-50 ps. (DD amount), Rs.9,000/- paid on 29.9.2003 and the dividend warrant amount of Rs.587/- on 18.2.2002 on the respective dates, if there is any due after adjustment due amount is recoverable with simple rate of interest @ 21% per annum. Aggrieved by the same, the present writ petition is filed.

The learned counsel for petitioners strenuously contended that it is well settled principle of law that against agricultural loans, charging of interest @ 21% per annum is arbitrary and illegal, therefore, the interest charged @ 21% is not permissible.

Whereas, the learned counsel appearing for respondent Bank strenuously contended that the petitioners having agreed for the rate of interest @ 21% and also 2% as penal interest on the loan amount, they

cannot complain about the charging of interest. The Tribunal in fact took a lenient view of the matter insofar as charging penal interest, compound, therefore, no interference is called for by this Court under Article 226 of the Constitution of India.

Admittedly, the loan availed by the petitioner is an agricultural loan, therefore charging of interest @ 21% per annum by the Commercial Banks is not in the interest of agriculturists and the very purpose of sanctioning loans to them would be defeated. Under those circumstances, I deem it appropriate to fix the interest @ 18% per annum. Except this modification, the rest of the award passed by the A.P. Cooperative Tribunal in O.P.No.701 of 2001 dated 9.3.2005 is confirmed.

With the above modification, the writ petition is disposed of. No order as to costs.

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C.V.RAMULU, J

Date: 11.12.2006

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THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.15187 of 2005

11.12.2006

IN THE HIGH COURT OF JUDICATURE OF ANDHRA PRADESH AT HYDERABAD

THE HON'BLE SRI JUSTICE C.V.RAMULU

W.P.No.15187 of 2005

Date: 11th December, 2006

Between:

M.Tirupathi Reddy & others.

.. Petitioners

And

The Prudential Cooperative Bank Ltd.,
R.P. Road, Secunderabad, rep. by its
Managing Director.

.. Respondent